The SouthFayette Source™

PREMIERE ISSUE OCTOBER / NOVEMBER 2007 VOLUME I / ISSUE I

PROFESSIONAL PORTFOLIOS
Financial By Philip C. Henry | Eyecare By Norman Childs | Physical Therapy By Scott Schafer | Chiropractic By Dr. Paul Kohler | Legal By Lynn Emerson | Senior Living By Jean Morelli | Accounting By Robert L. Omer | Home Remodeling By Barry Novisel | Thoughts on Life By Aaron Beinhauer

College Savings Plan | Philip C. Henry

Philip C. Henry, ChFC, CFS is the President of Henry Wealth Management, LLC, an independent financial planning firm located at 1370 Washington Pike, Bridgeville, PA. He offers Securities and Investment-Advisory Services through a non-affiliated firm, NFP Securities, Inc., a Broker/Dealer, Member FINRA/SIPC, and Federally Registered Investment Advisor. He may be reached at 412-838-0200 or at Phil@HenryWealth.com. The firm's website is www.HenryWealth.com.

The Triple Tax Break
The pain of paying for college can be reduced with a Section 529 plan.

As parents, we entertain visions of our children one day posing for graduation day photographs with their college diplomas in hand. Unfortunately, the warm glow of that happy moment can be tempered by the cold reality of paying for that diploma. According to the College Board, by the time a child born today is ready for college, four-year tuition will be $132,000 for a public college and a whopping $300,000-plus for a private school. The smart parent will start planning now.

While there are many factors to consider when choosing the most beneficial way to prepare for college expenses, here are three key provisions that make 529 plans especially attractive:

1). Tax-Deductible Contributions: For Pennsylvania residents, contributions made to 529 plans sponsored by any state may result in a PA state income tax deduction. That means a Pennsylvania resident may invest in a plan in, say, Rhode Island, and reduce his/her PA state income taxes in the process. The upper limit on deductible contributions as of 2007 for PA residents is $12,000 per parent, per child, or $24,000 per married couple, per child. For example, a $12,000 contribution could result in a tax-break of $368 based on PA's 3.07 percent state income tax rate. Residents of other states may also enjoy similar tax benefits, depending on their state laws.

2). Tax-Deferred Growth: Investments in 529 plans accumulate without federal or state taxation.

3). Tax-Free Withdrawals: The best part of the triple tax break is that withdrawals from 529 plans to

cover eligible expenses are tax free. Qualified educational expenses include payments made to or reimbursements for tuition, room and board, books, fees, supplies and equipment for eligible (accredited) post-secondary educational institutions.

Beyond the triple tax break, 529s offer other key benefits:

Participant Control: The investor maintains control over investment and withdrawal decisions. The participant also retains the right to change beneficiaries from one child to another, which could come in handy if the named beneficiary obtains a scholarship (good), if grades do not match expectations (bad), or if the student decides to forgo their sophomore year in order to spend his college money on a trip to the Islands to “find” himself or herself (very bad!).

Investment Options: Investors may direct their contributions into a wide variety of options, including stocks, bonds, money market funds or combinations thereof. Most 529 plans also offer age-based investments, whereby allocations are more aggressive for younger beneficiaries and automatically become more conservative as the student gets closer to college age.

Financial Aid: 529 plans are considered “parental-owned assets” rather than “child-owned.” When attempting to obtain a financial aid package from the college of your child's choice, parental-owned assets are usually preferable to child-owned assets. Even better are grandparent-owned accounts, which are completely off the financial aid radar screen when a school gauges your family’s assets for purposes of determining aid eligibility.

Summary:

Section 529 plans offer compelling tax and non-tax benefits to help meet the financial costs of educating our children and grandchildren. Certainly, there are expense factors to consider, which can vary greatly, even among plans offered within the same state. There is also the risk that investments may lose value or not perform well enough to cover college costs as anticipated.

State-based benefits are just one among many factors to consider when making an investment decision. You should consult with your financial, tax or other adviser, as well as the 529 provider of your choice to learn more about how state-based benefits (or limitations) would apply to your specific circumstances, including features, benefits and limitations and expenses for that state's 529 college savings plan. Ask for a prospectus. You may also find www.collegesavings.org to be a helpful resource. Now envision your child posing with college diploma in hand and imagine yourself smiling too, enjoying that special moment and knowing that your foresight to invest in a 529 plan years before has minimized, or maybe even eliminated, any lingering debt!

The opinions expressed in this commentary are those of the author and may not necessarily reflect those held by NFP Securities, Inc. This is for general information only and is not intended to provide specific investment advice or recommendation. NFP Securities, Inc. does not provide legal or tax advice. Clients should consult with their own legal and tax advisors.

ADVERTISING OPPORTUNITIES | FEATURES | MAKING THE GRADE